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SEP 15 1993

Dear Applicant:

We have considered your application for recognition of exemption under section 501(c)(3) of the Internal Revenue Code.

The information submitted indicates that you were incorporated in the State of [REDACTED] on [REDACTED]. Your articles of incorporation contain a section 501(c)(3) purpose limitation and also a section 501(c)(3) dissolution provision.

Your proposed activities are described in your application. You do not presently conduct any activities. You will provide various services to your members. Article XIII of your bylaws provides for membership for any person who is a war veteran, a past or former member of the United States Armed Forces, a cadet (including only students in college or university ROTC programs or at armed services academies) or their spouses, widows, and widowers. You note that there are 27 million veterans in the United States at the present time. Your income will be generated principally from dues paid by members, although you project contributions income in the range of [REDACTED]% of total receipts. Article XIV provides that there will be a \$[REDACTED] dollar entrance fee for members, and a \$[REDACTED] annual fee thereafter.

You will provide housing for your members, will operate retail outlets for members offering grocery items and general merchandise, and will also provide a health and dental plan open only to your members. Your housing program will provide [REDACTED]% of its housing to members who are classified as being members of low income family units, [REDACTED]% of its housing to members who are classified as being members of moderate income family units, and [REDACTED]% of your housing to members without regard to income. Initially, you will provide the above three services in the State of [REDACTED], but plan to eventually expand your operation to all 50 states. An additional benefit to members will be the preference given to members in hiring employees to implement the above three services.

Section 501(c)(3) of the Internal Revenue Code provides in part for the exemption from Federal income tax for organizations organized and operated exclusively for charitable or educational purposes.

Section 1.501(c)(3)-1(a)(1) of the Income Tax Regulations provides that in order to be exempt as an organization described in section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in such section.

Section 1.501(c)(3)-1(c)(1) of the regulations provides that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages in activities which accomplish one or more of such exempt purposes specified in section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Section 1.501(c)(3)-1(c)(2) of the regulations states that an organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals.

Section 1.501(a)-1(c) of the regulations provides that "private shareholder or individual" as used in section 501 refers to persons having a personal and private interest in the activities of an organization.

You will be operated exclusively to provide economic benefits in the form of reduced price housing, food and consumer goods, and health and dental benefits. In some cases you will also provide employment to your members. Consequently, your members have a personal and private interest in the activities of your organization, and may be considered "private shareholders or individuals" within the meaning of section 1.501(a)-1(c) of the regulations.

As provided in section 1.501(c)(3)-1(c)(2) of the regulations, as your net earnings inure in whole or in part to the benefit of private shareholders or individuals, you are not operated exclusively for one or more exempt purposes, which is required by section 1.501(c)(3)-1(c)(1) of the regulations for organizations desiring exemption under section 501(c)(3).

Accordingly, you do not qualify for exempt status under section 501(c)(3) of the Code. Contributions to you are not deductible under section 170 of the Code.

[REDACTED]

You have the right to protest our ruling if you believe that it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement must be submitted within 30 days from the date of this letter, and must be signed by one of your officers. You also have a right to a conference in this office after your statement is submitted. If you want a conference you must request it when you file your protest statement. If you are to be represented by someone who is not one of your officers, he/she must file a proper power of attorney and otherwise qualify under our Conference and Practice requirements.

If you do not protest this proposed ruling in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Code provides, in part, that a declaratory judgement or decree under this section shall not be issued in any proceeding unless the United States Tax Court, the United States Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service.

If we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to your key District Director. Thereafter, any questions about your federal income tax status should be addressed to that office. The appropriate State officials will be notified of this action in accordance with section 6104(c) of the Code.

Sincerely yours,

Signed [REDACTED]

[REDACTED]
Chief, Exempt Organizations
Rulings Branch 2